

# Fidelity European Values PLC

Half-Yearly Report

For the 6 months ended 30 June 2014



# Contents

## Interim Reports

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Investment Objective and Performance Summary	1
Financial Summary	2
Half-Yearly Report	3
Twenty Largest Investments	6

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## Interim Management Report

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Principal Risks and Uncertainties	7
Related Party Transactions	7
Going Concern	7
Directors' Responsibility Statement	7

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## Financial Statements

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Income Statement	8
Reconciliation of Movements in Shareholders' Funds	10
Balance Sheet	12
Cash Flow Statement	13
Notes to the Financial Statements	14

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## Information for Shareholders

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Shareholder Information	19
Glossary of Terms	21
Investing in Fidelity European Values PLC	24
Warning to Shareholders	25

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# Investment Objective and Performance Summary

The investment objective of the Company is to achieve long term capital growth from the stockmarkets of continental Europe.

## Performance (Total Return) (%)

	Six months to 30 June 2014	From launch 5 November 1991
Net Asset Value ("NAV") per Share Total Return	+3.1	+2,013.9
Share Price Total Return	+5.6	+1,884.5
FTSE World Europe (ex UK) Index* Total Return	+3.1	+641.4

\*The Company's Benchmark Index

## Standardised performance (Total Return) (%)

	30/06/13 to 30/06/14	30/06/12 to 30/06/13	30/06/11 to 30/06/12	30/06/10 to 30/06/11	30/06/09 to 30/06/10
NAV per Share	+10.5	+26.8	-12.0	+30.5	+14.9
Share Price	+16.3	+30.5	-12.1	+37.0	+7.0
FTSE World Europe (ex UK) Index <sup>1</sup>	+16.4	+27.9	-20.0	+29.4	+15.1

<sup>1</sup> Data prior to the period ended 30 June 2011 is on a net of tax basis

Sources: Fidelity and Datastream

Past performance is not a guide to future returns



The Company is a member of the Association of Investment Companies

# Financial Summary

	30 June 2014	31 December 2013
<b>Assets</b>		
Total portfolio exposure <sup>1</sup>	£743.5m	£741.9m
Shareholders' funds	£713.0m	£711.2m
Total portfolio exposure in excess of shareholders' funds (Gearing)	4.3%	4.3%
NAV per share (cum-income) <sup>2</sup>	170.80p	168.58p
NAV per share (ex-income) <sup>2</sup>	167.60p	165.58p
<b>Stockmarket data</b>		
FTSE World Europe (ex UK) Index <sup>3</sup>	432.45	430.40
Share price <sup>2</sup>	158.00p	152.50p
Discount (ex-income basis)	5.7%	7.9%
Discount (cum-income basis)	7.5%	9.5%
<b>Results for the six months to 30 June – see pages 8 and 9</b>		
	<b>2014</b>	<b>2013</b>
Revenue return per ordinary share <sup>2</sup>	3.19p	3.08p
Capital return per ordinary share <sup>2</sup>	1.86p	13.91p
Total return per ordinary share <sup>2</sup>	5.05p	16.99p
<b>Total returns (includes reinvested income) for the six months to 30 June</b>		
	<b>2014</b>	<b>2013</b>
NAV per share	+3.1%	+11.9%
Share price	+5.6%	+9.7%
FTSE World Europe (ex UK) Index <sup>3</sup>	+3.1%	+10.9%

<sup>1</sup> The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

<sup>2</sup> Prior period figures have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014 (see Notes 4, 6 and 7 in the Notes to the Financial Statements on pages 15 to 18)

<sup>3</sup> Benchmark Index

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Half-Yearly Report

## PERFORMANCE

During the first six months of the year the net asset value ("NAV") total return was 3.1%, exactly matching the total return of 3.1% for the FTSE World Europe (ex UK) Index (the Company's Benchmark Index). The share price total return was 5.6%, which is ahead of the NAV total return as a consequence of a narrowing in the share price discount to NAV. The discount narrowed from 7.9% at the beginning of the year to 5.7% at the end of the reporting period, based on the NAV excluding income. (All figures in UK sterling.)

## MARKET REVIEW

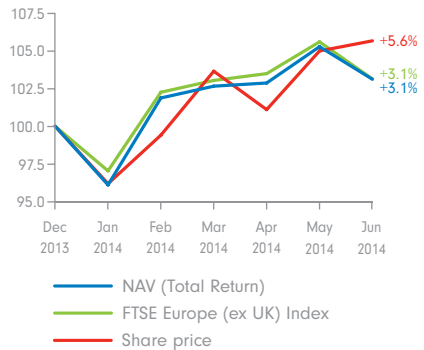
After a very strong run in 2013, continental European markets rose more modestly in the first half of 2014.

Currency exposure was the key differentiator of stock performance during the first months of the year. Companies exposed to the domestic European economy performed best, especially those listed in 'peripheral' markets. Global multi-nationals suffered, most notably those doing more of their business in emerging markets which continued to struggle on a range of concerns, from the Fed's "tapering" to the crisis in Ukraine.

The second quarter of the year has proved more challenging for the market overall, with almost no progress made in UK sterling terms. There were, however, changes in market leadership, with some of the key trends in recent years reversing. For instance, larger companies which have typically lagged their smaller brethren during the market rally of the last two years, saw some healthy rises, led by sectors such as energy and utilities. High profile mergers and acquisitions ("M&A") involving larger companies, such as the mooted acquisition of AstraZeneca by Pfizer or the proposed take-over of much of Alstom by GE, catalysed a reappraisal of larger company valuations.

The half year ended in listless trading with volatility back to low pre-crisis levels across most geographies and asset classes. There may be some structural reasons why this is so, such as less proprietary trading by investment banks and the effects of quantitative easing, but often market calms are followed by more stormy conditions or, at least, more volatile conditions.

Total return performance for the six months to 30 June 2014



Rebased to 100 at 31 December 2013  
Sources: Fidelity and Datastream

## PORTFOLIO MANAGER'S REPORT

The Company's net asset value matched the Benchmark Index over the period.

At the stock level, there were some strong performances from companies listed in the so-called 'peripheral' economies such as Spain and Italy. In particular the two Spanish regulated utilities held by the Company benefited from an on-going reduction in sovereign bond yields and, in the case of Red Electrica, more clarity in regulation. The strong performance of these holdings off-set the negative impact of being generally underweight in the 'peripheral' markets of Europe.

# Half-Yearly Report

Novo-Nordisk, the leading diabetes care company, which suffered an indifferent 2013, rebounded strongly, early on in 2014, as investors became less concerned about the economic impact of a contract loss and as the company published a more optimistic time-line on the potential approval of a key drug in the US market.

Iliad, a French telecoms company, surged as it became apparent that the French regulator was in favour of in-market consolidation. Although no deal has yet been consummated, the share price has held up well in anticipation that a combination with another telecom company is still probable.

The Company's bank holdings gave up some of their gains of the previous year as the costs of regulation and litigation continued to mount for the sector. BNP Paribas, in particular, struggled as it became clear that the cost of breaking sanctions placed by the US on countries such as Iran would be much higher than analysts had expected. Indeed, the threat of more litigation and regulation cast a long shadow over the sector, impacting other holdings, such as UBS, who are still subject to a number of litigation risks, in particular relating to foreign exchange trading. The Portfolio Manager believes that, at some stage, these costs will wane and the underlying strength and dividend capacity of these franchises will justify higher share prices. It has, however, been a painful wait.

## GEARING

The Company continues to gear through the use of long Contracts For Difference ("CFDs"). As at 30 June 2014, the level of gearing was 4.3%. The Board has set a gearing range of 0-10% and in the six month period gearing made a marginally positive contribution to performance.

## SUB-DIVISION OF SHARES

At the Annual General Meeting on 15 May 2014, shareholders approved the sub-division of the Company's ordinary share of 25 pence each into ten ordinary shares of 2.5 pence each. Following completion of the sub-division, 41,792,173 ordinary shares of 25 pence each converted into 417,921,730 new ordinary shares of 2.5 pence each. The new ordinary shares commenced trading on the main market of the London Stock Exchange on 2 June 2014.

## DISCOUNT MANAGEMENT

The Board continues to adopt an active discount management policy and share buybacks have been made during the period. Whilst the primary purpose of our policy is to reduce share price volatility in relation to NAV, buying in shares at a discount also results in an enhancement to NAV per share.

In the period from 1<sup>st</sup> January to 1<sup>st</sup> June 2014, 395,520 ordinary shares of 25 pence each were repurchased for cancellation at an average price of 1,525.45 pence per share. In the period from 2<sup>nd</sup> June to 30<sup>th</sup> June 2014, 481,232 ordinary shares of 2.5 pence each were repurchased for cancellation at an average price of 157.53 pence per share.

Since the period end, 992,588 ordinary shares of 2.5 pence each have been repurchased for cancellation at a price of 151.99 pence per share. The issued share capital as at 28 July 2014 was 416,447,910 ordinary shares of 2.5 pence each.

The discount at 30 June 2014 was 7.5% on a cum-income NAV basis and 5.7% on an ex-income NAV basis.

## REGULATORY MATTERS

As stated in the Annual Report, the Board has worked with its advisors in order to achieve compliance with the Alternative Investment Fund Managers Directive ("AIFMD") which came into force on 22 July 2014. The Board has appointed FIL Investment Services (UK) Limited (a Fidelity group company) to act as the Company's Alternative Investment Fund Manager. FIL Investment Services (UK) Limited has delegated the portfolio management to FIL Investments International who previously acted as the Company's Manager. FIL Investments International will continue to act as the Company Secretary.

An additional requirement of the AIFMD was to appoint a depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. JP Morgan Chase Bank act as the Company's current banker and custodian and will continue to do so. The Board have extended this arrangement and appointed J.P.Morgan Europe Limited, part of the same group of companies as JP Morgan Chase Bank, to act as the Company's Depositary.

## OUTLOOK

The Portfolio Manager has become more cautious about prospects for continental European stock markets. This is reflected in a lower level of gearing which was 4.4% at the date of this report

Share prices have risen while the earnings of continental European companies have not, partly due to the strength of the Euro. Valuations are now more attractive to sellers than buyers. This is evidenced by the rise in issuance, particularly initial public offerings ("IPOs") from private equity companies. There are some other warning signs, the recent pick-up in M&A activity being one example.

This could well herald the usual weaker seasonal spell from May to September. Beyond that, the direction of the market will be determined by the delivery of earnings and dividend growth, which is much needed to give fundamental support to continental European stock markets. The recent measures announced by the European Central Bank ("ECB"), ostensibly to counter the threat of deflation, will provide some help. The ECB monetary easing may also start to weaken the relative strength of the Euro, particularly if the US Federal Reserve continues to curtail its own asset purchases.

The Portfolio Manager's focus will continue to be on attractively-valued companies, with sound balance sheets, which can deliver consistent dividend growth. Although the direction of markets is unclear, the good news is that the majority of these consistent dividend growers, which had become relatively expensive during the sovereign debt crisis, have lagged the rally over the last two years such that, in general, they now appear to be relatively attractive in terms of valuation.

**By order of the Board**  
**FIL Investments International**

28 July 2014

## Twenty Largest Investments as at 30 June 2014

Twenty Largest Investments, including long CFDs	Exposure £'000	Fair value <sup>1</sup> £'000	Exposure <sup>2</sup> %
<b>Nestlé</b> Packaged food	46,100	46,100	6.2
<b>Roche</b> Pharmaceuticals	32,101	32,101	4.3
<b>Sanofi (CFD)</b> Pharmaceuticals	30,002	868	4.0
<b>Novo-Nordisk</b> Healthcare services	29,175	29,175	3.9
<b>Anheuser-Busch InBev</b> Brewing	27,040	27,040	3.6
<b>SAP</b> Software solutions and consultancy	25,573	25,573	3.4
<b>Schneider Electric</b> Electricity distribution and automation management	22,753	22,753	3.1
<b>UBS</b> Financial services	21,691	21,691	2.9
<b>BNP Paribas</b> Financial services	21,273	21,273	2.9
<b>Sampo</b> Property and casualty insurance	20,710	20,710	2.8
<b>Volkswagen</b> Automobiles	20,452	20,452	2.8
<b>Christian Dior</b> Clothing and accessories	18,511	18,511	2.5
<b>KBC Groep</b> Financial services	18,454	18,454	2.5
<b>Statoil</b> Energy	17,638	17,638	2.4
<b>Hennes &amp; Mauritz</b> Business services	17,351	17,351	2.3
<b>Linde (CFD)</b> Gases and engineering	17,029	1,735	2.3
<b>GAM Holding</b> Asset managers	16,597	16,597	2.2
<b>Deutsche Boerse</b> Financial services	15,185	15,185	2.0
<b>SES</b> Broadcasting and entertainment	14,180	14,180	2.0
<b>ASML Holding</b> Semiconductors	14,068	14,068	1.9
<b>Twenty Largest Investments</b>	<b>445,883</b>	<b>401,455</b>	<b>60.0</b>
<b>Other Investments</b>	<b>297,652</b>	<b>297,652</b>	<b>40.0</b>
<b>Total Portfolio (including long CFDs)</b>	<b>743,535</b>	<b>699,107</b>	<b>100.0</b>

<sup>1</sup> Fair value represents the carrying value in the Balance Sheet on page 12

<sup>2</sup> % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs



# Interim Management Report

The Company is required to make the following disclosures in its Half-Yearly Report:

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal control process, identifies the key risks that the Company faces. The Board believes that the principal risks and uncertainties faced by the Company continue to fall into the following categories: market risk; performance risk; income/dividend risk; discount control risk; gearing risk; tax and regulatory risks; and operational risks. Information on each of these risks can be found in the Strategic Report section of the Annual Report for the year ended 31 December 2013.

## RELATED PARTY TRANSACTIONS

There have been no related party transactions during the six month period to 30 June 2014, and therefore, there is nothing to report on any material effect by such a transaction on the financial position or the performance of the Company.

## GOING CONCERN

The Board receives regular reports from the Manager and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements as outlined in the Annual Report for the year ended 31 December 2013. The next continuation vote will be put to shareholders at the Annual General Meeting in 2015.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm to the best of their knowledge that:

- a) the condensed set of financial statements contained within the Half-Yearly Financial Report has been prepared in accordance with the UK Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and gives a true and fair view of the assets, liabilities, financial position and net return of the Company as required by the UK Listing Authority Disclosure and Transparency Rules ("DTR") 4.2.4R; and
- b) the Interim Management Report (which incorporates the Half-Yearly Report on pages 3 to 5) includes a fair review of the information required by DTR Rules 4.2.7R and 4.2.8R.

The Half-Yearly Financial Report has not been audited or reviewed by the Company's Independent Auditor.

The Half-Yearly Financial Report was approved by the Board on 28 July 2014 and the above responsibility statement was signed on its behalf by Mr Humphrey van der Klugt, Chairman.

# Income Statement

		six months ended 30.06.14 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains on investments designated at fair value through profit or loss		-	6,334	6,334
Gains on derivative instruments held at fair value through profit or loss		-	1,537	1,537
Income	2	18,055	-	18,055
Investment management fees		(2,981)	-	(2,981)
Performance fees		-	-	-
Other expenses		(414)	-	(414)
Exchange (losses)/gains on other net assets		(35)	(84)	(119)
<b>Net return before finance costs and taxation</b>		<u>14,625</u>	<u>7,787</u>	<u>22,412</u>
Finance costs		(107)	-	(107)
<b>Net return on ordinary activities before taxation</b>		<u>14,518</u>	<u>7,787</u>	<u>22,305</u>
Taxation on return on ordinary activities	3	(1,134)	-	(1,134)
<b>Net return on ordinary activities after taxation for the period</b>		<u>13,384</u>	<u>7,787</u>	<u>21,171</u>
<b>Return per ordinary share<sup>1</sup></b>	4	<u>3.19p</u>	<u>1.86p</u>	<u>5.05p</u>

<sup>1</sup> Prior period figures have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement.

The total column of the Income Statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the period.

These financial statements have been prepared in accordance with the Association of Investment Companies Statement of Recommended Practice issued in January 2009.

	year ended			six months ended		
	31.12.13			30.06.13		
	audited			unaudited		
revenue	capital	total	revenue	capital	total	
£'000	£'000	£'000	£'000	£'000	£'000	
-	95,243	95,243	-	57,054	57,054	
-	12,044	12,044	-	2,913	2,913	
21,066	-	21,066	17,622	-	17,622	
(5,821)	-	(5,821)	(2,839)	-	(2,839)	
-	-	-	-	(502)	(502)	
(803)	-	(803)	(384)	-	(384)	
4	108	112	(9)	(98)	(107)	
<u>14,446</u>	<u>107,395</u>	<u>121,841</u>	<u>14,390</u>	<u>59,367</u>	<u>73,757</u>	
(279)	-	(279)	(140)	-	(140)	
<u>14,167</u>	<u>107,395</u>	<u>121,562</u>	<u>14,250</u>	<u>59,367</u>	<u>73,617</u>	
(1,505)	-	(1,505)	(1,097)	-	(1,097)	
<u>12,662</u>	<u>107,395</u>	<u>120,057</u>	<u>13,153</u>	<u>59,367</u>	<u>72,520</u>	
<u>2.98p</u>	<u>25.29p</u>	<u>28.27p</u>	<u>3.08p</u>	<u>13.90p</u>	<u>16.98p</u>	

## Reconciliation of Movements in Shareholders' Funds

	Notes	share capital £'000	share premium account £'000
<b>Opening shareholders' funds at 1 January 2013</b>		10,781	58,615
Repurchase of ordinary shares	6	(207)	-
Net return on ordinary activities after taxation for the period		-	-
Dividend paid to shareholders	5	-	-
<b>Closing shareholders' funds at 30 June 2013</b>		<u>10,574</u>	<u>58,615</u>
<b>Opening shareholders' funds at 1 January 2013</b>		10,781	58,615
Repurchase of ordinary shares	6	(234)	-
Net return on ordinary activities after taxation for the year		-	-
Dividend paid to shareholders	5	-	-
<b>Closing shareholders' funds at 31 December 2013</b>		<u>10,547</u>	<u>58,615</u>
<b>Opening shareholders' funds at 1 January 2014</b>		10,547	58,615
Repurchase of ordinary shares	6	(111)	-
Net return on ordinary activities after taxation for the period		-	-
Dividend paid to shareholders	5	-	-
<b>Closing shareholders' funds at 30 June 2014</b>		<u>10,436</u>	<u>58,615</u>

capital redemption reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
5,044	523,187	18,647	616,274
207	(11,641)	-	(11,641)
-	59,367	13,153	72,520
-	-	(11,921)	(11,921)
<u>5,251</u>	<u>570,913</u>	<u>19,879</u>	<u>665,232</u>
5,044	523,187	18,647	616,274
234	(13,239)	-	(13,239)
-	107,395	12,662	120,057
-	-	(11,901)	(11,901)
<u>5,278</u>	<u>617,343</u>	<u>19,408</u>	<u>711,191</u>
5,278	617,343	19,408	711,191
111	(6,821)	-	(6,821)
-	7,787	13,384	21,171
-	-	(12,535)	(12,535)
<u>5,389</u>	<u>618,309</u>	<u>20,257</u>	<u>713,006</u>

# Balance Sheet

Company No. 2638812

	Notes	30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
<b>Fixed assets</b>				
Investments designated at fair value through profit or loss		<u>696,504</u>	<u>669,216</u>	<u>608,057</u>
<b>Current assets</b>				
Derivative assets held at fair value through profit or loss		2,603	19,980	21,484
Debtors		3,432	2,463	2,409
Fidelity Institutional Liquidity Fund plc		8,025	31	32
Cash at bank		<u>4,206</u>	<u>21,326</u>	<u>35,346</u>
		<u>18,266</u>	<u>43,800</u>	<u>59,271</u>
<b>Creditors</b>				
Other creditors		<u>(1,764)</u>	<u>(1,825)</u>	<u>(2,096)</u>
		<u>(1,764)</u>	<u>(1,825)</u>	<u>(2,096)</u>
<b>Net current assets</b>		<u>16,502</u>	<u>41,975</u>	<u>57,175</u>
<b>Total net assets</b>		<u>713,006</u>	<u>711,191</u>	<u>665,232</u>
<b>Capital and reserves</b>				
Share capital	6	10,436	10,547	10,574
Share premium account		58,615	58,615	58,615
Capital redemption reserve		5,389	5,278	5,251
Capital reserve		618,309	617,343	570,913
Revenue reserve		<u>20,257</u>	<u>19,408</u>	<u>19,879</u>
<b>Total equity shareholders' funds</b>		<u>713,006</u>	<u>711,191</u>	<u>665,232</u>
<b>Net asset value per ordinary share<sup>1</sup></b>	7	<u>170.80p</u>	<u>168.58p</u>	<u>157.28p</u>

<sup>1</sup> Prior period figures have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014

# Cash Flow Statement

	six months ended 30.06.14 unaudited £'000	year ended 31.12.13 audited £'000	six months ended 30.06.13 unaudited £'000
<b>Operating activities</b>			
Investment income received	14,101	14,631	12,037
Income received on long CFDs	1,287	3,009	2,835
Deposit interest received	17	44	19
Investment management fee paid	(2,995)	(5,619)	(2,736)
Performance fee paid	-	(2,243)	(2,243)
Directors' fees paid	(66)	(104)	(72)
Other cash payments	(341)	(660)	(335)
<b>Net cash inflow from operating activities</b>	<u>12,003</u>	<u>9,058</u>	<u>9,505</u>
<b>Finance costs</b>			
Interest paid on long CFDs	(106)	(281)	(141)
<b>Net cash outflow from finance costs</b>	<u>(106)</u>	<u>(281)</u>	<u>(141)</u>
<b>Taxation recovered</b>	<u>130</u>	<u>651</u>	<u>550</u>
<b>Financial investments</b>			
Purchase of investments	(135,153)	(156,750)	(60,500)
Disposal of investments	114,534	167,459	94,015
<b>Net cash (outflow)/inflow from financial investments</b>	<u>(20,619)</u>	<u>10,709</u>	<u>33,515</u>
<b>Derivative activities</b>			
Net proceeds/(payments) from long CFD positions closed	18,914	5,765	(4,870)
<b>Net cash inflow/(outflow) from derivative activities</b>	<u>18,914</u>	<u>5,765</u>	<u>(4,870)</u>
<b>Dividends paid to shareholders</b>	<u>(12,535)</u>	<u>(11,901)</u>	<u>(11,921)</u>
<b>Net cash (outflow)/inflow before use of liquid resources and financing</b>	<u>(2,213)</u>	<u>14,001</u>	<u>26,638</u>
<b>Cash flow from management of liquid resources</b>			
Fidelity Institutional Liquidity Fund plc	(7,994)	(1)	-
<b>Net cash outflow from management of liquid resources</b>	<u>(7,994)</u>	<u>(1)</u>	<u>-</u>
<b>Net cash (outflow)/inflow before financing</b>	<u>(10,207)</u>	<u>14,000</u>	<u>26,638</u>
<b>Financing</b>			
Repurchase of ordinary shares	(6,829)	(13,232)	(11,642)
<b>Net cash outflow from financing</b>	<u>(6,829)</u>	<u>(13,232)</u>	<u>(11,642)</u>
<b>(Decrease)/increase in cash</b>	<u>(17,036)</u>	<u>768</u>	<u>14,996</u>

# Notes to the Financial Statements

## 1 ACCOUNTING POLICIES

The half-yearly financial statements have been prepared on the basis of the accounting policies set out in the Company's Annual Report and financial statements for the year ended 31 December 2013.

30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
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## 2 INCOME

### Income from investments designated at fair value through profit or loss

Overseas dividends	15,843	16,599	13,834
Overseas scrip dividends	332	728	561
UK dividends	578	686	371
	<u>16,753</u>	<u>18,013</u>	<u>14,766</u>

### Income from derivatives held at fair value through profit or loss

Dividends on long CFDs	1,287	3,009	2,835
	<u>18,040</u>	<u>21,022</u>	<u>17,601</u>

### Other income

Deposit interest	15	44	21
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### Total income

	<u>18,055</u>	<u>21,066</u>	<u>17,622</u>
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30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
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## 3 TAXATION ON RETURN ON ORDINARY ACTIVITIES

Overseas taxation suffered	2,081	2,558	2,039
Overseas taxation recovered	(947)	(1,053)	(942)
<b>Current taxation charge</b>	<u>1,134</u>	<u>1,505</u>	<u>1,097</u>



# Notes to the Financial Statements

## 4 RETURN PER ORDINARY SHARE

The return per ordinary share is based on the net return on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares in issue during the period.

	30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
Net revenue return on ordinary activities after taxation for the period	13,384	12,662	13,153
Net capital return on ordinary activities after taxation for the period	<u>7,787</u>	<u>107,395</u>	<u>59,367</u>
Net total return on ordinary activities after taxation for the period	<u>21,171</u>	<u>120,057</u>	<u>72,520</u>
Weighted average number of ordinary shares in issue during the period	<u>419,592,982</u>	<u>424,578,870</u>	<u>426,955,590</u>
	30.06.14 unaudited pence	31.12.13 audited pence	30.06.13 unaudited pence
Revenue return per ordinary share	3.19	2.98	3.08
Capital return per ordinary share	<u>1.86</u>	<u>25.29</u>	<u>13.90</u>
Total return per ordinary share	<u>5.05</u>	<u>28.27</u>	<u>16.98</u>

The weighted average number of ordinary shares in issue at 31 December 2013 and 30 June 2013 have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014, as disclosed in Note 6 below. On the original basis, as stated in the prior period financial statements for the year ended 31 December 2013, the net returns per ordinary share were: revenue return 29.82 pence, capital return 252.94 pence and total return 282.76 pence, and for the six months ended 30 June 2013: revenue return 30.81 pence, capital return 139.05 pence and total return 169.86 pence (based on the weighted average number of Existing Ordinary Shares in issue for the year ended 31 December 2013: 42,457,887 and for the six months ended 30 June 2013: 42,695,559).

# Notes to the Financial Statements

	30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
<b>5 DIVIDENDS PAID</b>			
Dividend of 29.75 pence per ordinary share paid for the year ended 31 December 2013	12,535	-	-
Dividend of 27.75 pence per ordinary share paid for the year ended 31 December 2012	-	11,901	11,901
	<u>12,535</u>	<u>11,901</u>	<u>11,901</u>

No dividend has been declared in respect of the six months to 30 June 2014.

If the pence per ordinary share dividend rates actually paid, as shown above, are adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014, as disclosed in Note 6 below, the adjusted dividend rates would be: dividend of 2.975 pence per ordinary share paid for the year ended 31 December 2013 and dividend of 2.775 pence per ordinary share paid for the year ended 31 December 2012.

# Notes to the Financial Statements

	30.06.14 unaudited		31.12.13 audited		30.06.13 unaudited	
	Number of shares	£'000	Number of shares	£'000	Number of shares	£'000
<b>6 SHARE CAPITAL</b>						
<b>Existing Ordinary Shares of 25 pence each Issued, allotted and fully paid</b>						
<b>Beginning of the period</b>	42,187,693	10,547	43,127,073	10,781	43,127,073	10,781
Repurchase of ordinary shares	(395,520)	(99)	(939,380)	(234)	(830,679)	(207)
	41,792,173	10,448	42,187,693	10,547	42,296,394	10,574
Ordinary shares cancelled on the sub-division	(41,792,173)	(10,448)	-	-	-	-
<b>End of the period</b>	-	-	42,187,693	10,547	42,296,394	10,574
<b>New Ordinary Shares of 2.5 pence each Issued, allotted and fully paid</b>						
<b>Beginning of the period</b>	-	-	-	-	-	-
Ordinary shares issued on the sub-division	417,921,730	10,448	-	-	-	-
	417,921,730	10,448	-	-	-	-
Repurchase of ordinary shares	(481,232)	(12)	-	-	-	-
<b>End of the period</b>	417,440,498	10,436	-	-	-	-

On 2 June 2014, the Existing Ordinary Shares of 25 pence each were sub-divided. Ten New Ordinary Shares of 2.5 pence each were issued for each existing share. The new shares rank pari passu with each other and are subject to the same rights and restrictions as the shares they replaced. A holding of New Ordinary Shares following the sub-division represents the same proportion of the issued share capital of the Company as the corresponding holding in the Existing Ordinary Shares.

# Notes to the Financial Statements

## 7 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £713,006,000 (31 December 2013: £711,191,000 and 30 June 2013: £665,232,000) and on 417,440,498 (31 December 2013: 421,876,930 and 30 June 2013: 422,963,940) New Ordinary Shares, being the number of ordinary shares in issue at the period end.

The number of ordinary shares in issue at 31 December 2013 and 30 June 2013 have been adjusted to reflect the ten for one ordinary share sub-division which took place on 2 June 2014, as disclosed in Note 6 above. On the original basis, as stated in the prior period financial statements, the net asset value per ordinary share was 1,685.78 pence per share at 31 December 2013 and 1,572.79 pence per share at 30 June 2013 (based on the number of Existing Ordinary Shares in issue at 31 December 2013: 42,187,693 and 30 June 2013: 42,296,394).

## 8 INVESTMENT TRANSACTION COSTS

Transaction costs are incurred on the acquisition and disposal of investments. These are included in the gains on investments designated at fair value through profit or loss in the capital column of the Income Statement and are summarised below:

	30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
Purchases	205	247	71
Sales	137	188	109
	<u>342</u>	<u>435</u>	<u>180</u>

## 9 UNAUDITED FINANCIAL STATEMENTS

The results for the six months ended 30 June 2014 and 30 June 2013, which are unaudited, constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The figures and financial information for the year ended 31 December 2013 are extracted from the latest published financial statements. These financial statements, on which the Independent Auditor gave an unqualified report, have been delivered to the Registrar of Companies.

# Shareholder Information

## CONTACT INFORMATION

**Private investors:** call free on 0800 41 41 10  
9am to 6pm, Monday to Saturday.

**Financial advisers:** call free on 0800 41 41 81  
8am to 6pm, Monday to Friday.  
[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

**Existing shareholders** who have a specific query regarding their holding or need to provide updated information, for example a change of address, should contact the appropriate administrator.

### Holders of ordinary shares

Capita Asset Services, Registrars to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone: 020 8639 3399 (lines are open 8.30am to 5.30pm Monday to Friday).  
email: [shareholderenquiries@capita.co.uk](mailto:shareholderenquiries@capita.co.uk)

Details of individual shareholdings and other information can also be obtained from the Registrars' website: [www.capitaassetservices.com](http://www.capitaassetservices.com)

### Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 12062, Mellon House, Ingrave Road, Brentwood, Essex CM14 9LX. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary).

### Fidelity ISA investors

Fidelity, using the freephone numbers given above, or by writing to: UK Customer Service, Fidelity Worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

### General enquiries

General enquiries should be made to the Secretary, FIL Investments International, at the Company's registered office: FIL Investments International Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Telephone: 01732 36 11 44

Fax: 01737 836 892

[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

### Dividend Reinvestment Plan

This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you prefer to receive shares for your next dividend instead of cash please complete an application form online at [www.capitashareportal.com](http://www.capitashareportal.com) or call Capita IRG Trustees on 0871 664 0300 (calls cost 10p per minute plus network extras) from the UK or +44 20 8639 3399 from overseas.

## FINANCIAL CALENDAR

- |                         |                                       |
|-------------------------|---------------------------------------|
| <b>30 June 2014</b>     | – Half-Yearly period end              |
| <b>July 2014</b>        | – Announcement of Half-Yearly results |
| <b>August 2014</b>      | – Publication of Half-Yearly Report   |
| <b>31 December 2014</b> | – Financial year end                  |
| <b>March 2015</b>       | – Publication of Annual Report        |
| <b>May 2015</b>         | – Annual General Meeting              |

# Shareholder Information

## BOARD, MANAGER AND ADVISORS

### BOARD OF DIRECTORS

Humphrey van der Klugt (Chairman)  
James Robinson (Chairman of the Audit Committee  
and Senior Independent Director)  
Simon Fraser  
Robin Niblett  
Marion Sears

### ALTERNATIVE INVESTMENT FUND MANAGER (AIFM)

FIL Investment Services (UK) Limited  
Oakhill House  
130 Tonbridge Road  
Hildenborough  
Tonbridge  
Kent TN11 9DZ

### PORTFOLIO MANAGER, SECRETARY AND REGISTERED OFFICE

FIL Investments International  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey KT20 6RP

### FINANCIAL ADVISERS AND STOCKBROKERS

Winterflood Investment Trusts  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA

### INDEPENDENT AUDITOR

Grant Thornton UK LLP  
Chartered Accountants and Registered Auditor  
30 Finsbury Square  
London EC2P 2YU

### BANKERS AND CUSTODIAN

JP Morgan Chase Bank (London Branch)  
125 London Wall  
London EC2Y 5AJ

### DEPOSITARY

J.P. Morgan Europe Limited  
25 Bank Street  
London E14 5JP

### REGISTRARS

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### LAWYERS

Slaughter and May  
One Bunhill Row  
London EC1Y 8YY

Speechly Bircham LLP  
6 New Street Square  
London EC4A 3LX

# Glossary of Terms

## AIF

Alternative Investment Fund. The Company is an [AIF](#).

## AIFM

Alternative Investment Fund Manager. The Board has appointed FIL Investment Services (UK) Limited to act as the Company's [AIFM](#).

## AIFMD

The Alternative Investment Fund Managers Directive is a European Union Directive and came into force on 22 July 2013. The implementation date was 22 July 2014.

## BENCHMARK INDEX

FTSE World Europe (ex UK) Index against which the performance of the Company is measured.

## CONTRACT FOR DIFFERENCE (CFD)

A [Contract For Difference](#) is a [derivative](#). It is a contract between the Company and an investment bank at the end of which the parties exchange the difference between the opening price and the closing price of the underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A [Contract For Difference](#) allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company holds long positions, dividends are received and interest is paid. If the Company holds short positions, dividends are paid and interest is received. The Company only uses long [Contracts For Difference](#).

## DERIVATIVES

Financial instruments whose value is derived from the value of an underlying asset. The main categories of [derivatives](#) are [Contracts For Difference](#), futures and options.

## DISCOUNT

If the share price of the Company is lower than the [net asset value](#) per share, the Company's shares are said to be trading at a [discount](#). The [discount](#) is shown as a percentage of the [net asset value](#). The opposite of a [discount](#) is a [premium](#). It is more common for an investment trust's shares to trade at a [discount](#) than a [premium](#).

## FAIR VALUE

The [fair value](#) is the best estimate of the value of the investments, including [derivatives](#), at a point in time and this is measured as:

- Listed investments valued at bid prices, or last market prices, where available, otherwise at published price quotations;

# Glossary of Terms

- Unlisted investments valued using an appropriate valuation technique in the absence of an active market; and
- **Contracts For Difference** valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

## GEARING

**Gearing** describes the level of a Company's exposure and is expressed as a percentage of **shareholders' funds**. It reflects the amount of exposure the Company uses to invest in the market. It can be through the use of bank loans, bank overdrafts or **derivatives** in order to increase a Company's exposure to investments. If assets rise in value, **gearing** magnifies the return to ordinary shareholders. Correspondingly, if the assets fall in value, **gearing** magnifies the fall. The Company uses long **Contracts For Difference** to gain exposure to the price movements of certain shares without buying the underlying shares directly.

## GEARING PERCENTAGE

In a simple example, if a company has £100 million of net assets and a total portfolio of £108 million, with £8 million of borrowings (either via bank loans or long **derivatives**) then the **shareholders' funds** are 8% geared. Normally, the higher the **gearing percentage**, the more sensitive the Company's shares will be to movements up and down in the value of the investment portfolio.

## HEDGING

A strategy aimed at minimising or eliminating the risk or loss through adverse movements, normally involving positions in two different markets, with one offsetting the other. The Company uses **derivatives** for **gearing** and investment rather than **hedging** purposes.

## NET ASSET VALUE (NAV)

**Net asset value** is sometimes also described as "**shareholders' funds**", and represents the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the **net asset value** on a per share basis.

## NAV PER SHARE (CUM-INCOME)

The **net asset value** per share including the net revenue on ordinary activities after taxation for the period, as shown in the revenue column of the Income Statement.

## NAV PER SHARE (EX-INCOME)

The **net asset value** per share excluding the net revenue on ordinary activities after taxation for the period.

## PREMIUM

If the share price of the Company is higher than the **net asset value** per share, the Company's shares are said to be trading at a **premium**. The **premium** is shown as a percentage of the **net asset value**. The opposite of a **premium** is a **discount**.



## RETURN

The return generated in the period from the investments:

- **Revenue Return** reflects the dividends and interest from investments and other income net of revenue expenses, finance costs and taxation;
- **Capital Return** reflects the return on capital, excluding any revenue returns;
- **Total Return** reflects the aggregate of capital and revenue returns in the period.

## SHAREHOLDERS' FUNDS

Shareholders' funds are also described as "net asset value" and represent the total value of the Company's assets less the total value of its liabilities.

## TOTAL PORTFOLIO EXPOSURE

The total of fixed asset investments at fair value plus the fair value of the underlying securities within the Contracts For Difference.

## TOTAL RETURN PERFORMANCE

The return on the share price or net asset value per share taking into account the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional shares (for share price total return) or the Company's assets (for net asset value total return).

# Investing in Fidelity European Values PLC

## Further Information

For application forms or more information about any of the investment options described here, please call the Fidelity Investment Trust Line on 0800 41 41 10 and talk to a Fidelity customer representative (9am to 6pm).

Alternatively, you may like to visit the Fidelity London Investor Centre at 25 Cannon Street, next to St Paul's Cathedral.

You can also find out more by visiting [fidelity.co.uk/its](http://fidelity.co.uk/its) or contacting your Financial Adviser.

The Fidelity Individual Savings Account ("ISA") and Junior ISA are offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are regulated by the Financial Conduct Authority.

The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. With effect from 22 July 2014, Fidelity's investment trusts are managed by FIL Investment Services (UK) Limited, the Alternative Investment Fund Manager. They were previously managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

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# Warning to Shareholders

## SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

## PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the FCA Register at [www.fca.org.uk/register](http://www.fca.org.uk/register) to ensure they are authorised.
3. Use the details on the FCA Register to contact the firm.
4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.
5. Search the FCA list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

## REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0800 111 6768**.

**If you have already paid money to share fraudsters you should contact Action Fraud on**

**0300 123 2040**



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